

**EUREKA CHARTER TOWNSHIP**

**Montcalm County, Michigan**

**Annual Financial Statements  
and  
Auditors' Report**

**December 31, 2005**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Eureka Charter Township	County Montcalm
Fiscal Year End December 31, 2005	Opinion Date June 5, 2006	Date Audit Report Submitted to State 10/27/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

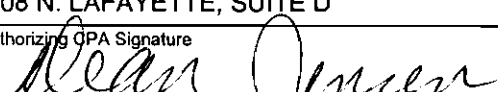
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED. *ONLY QUALIFIED FOR LACK OF MANAGEMENT'S DISCUSSION AND ANALYSIS*
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) DEAN JENSEN, CPA, PC		Telephone Number (616)754-8888		
Street Address 108 N. LAFAYETTE, SUITE D		City GREENVILLE	State MI	Zip 48838
Authorizing CPA Signature 	Printed Name Dean Jensen	License Number 1031926		

# **Eureka Charter Township**

## **Annual Financial Statements and Auditors' Report December 31, 2005**

### **Township Officials**

Leslie L. Lillie

Supervisor

Linda J. Ruwersma

Clerk

Cindy L. Hanson

Treasurer

Amilio Kalmeta

Trustee

Rodney L. Roy

Trustee

Laura E. Shears

Trustee

Robert Mulholland

Trustee

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**DEAN JENSEN**  
**Certified Public Accountant, P.C.**

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INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Eureka Charter Township  
Montcalm County, Michigan

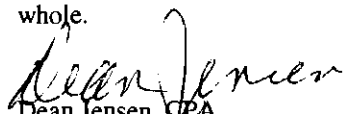
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eureka Charter Township, Montcalm County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise Eureka Charter Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Eureka Charter Township, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the supporting financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eureka Charter Township, Montcalm County, Michigan, as of December 31, 2005, and the respective changes in fund balance for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 1, the Township of Eureka has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2005. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Eureka Charter Township, Montcalm County, Michigan basic financial statements. The combining and individual fund financial statements as listed in the accompanying table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Dean Jensen, CPA  
June 5, 2006

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Eureka Charter Township  
Government-Wide Statement of Net Assets  
December 31, 2005**

	Governmental Activities	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 435,877	
Investments	177,152	
Receivables - other governmental units	37,997	
Receivables - other	2,357	
Due from tax collection fund	284,661	
Capital assets (net)	<u>55,518</u>	
Total assets		<u>\$ 993,562</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 11,215	
Payroll liabilities	1,911	
Deferred revenue	<u>26,294</u>	
Total liabilities		<u>\$ 39,420</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	55,518	
Restricted for inspection services	32,207	
Unrestricted	<u>866,417</u>	
Total net assets		<u><u>\$ 954,142</u></u>

See accompanying notes to financial statements

**Eureka Township**  
**Government-Wide Statement of Activities**  
**For the Year Ended December 31, 2005**

	<b>Program Revenues</b>				<b>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>PRIMARY GOVERNMENT</b>					
General government	\$ 144,543	\$ 29,675	\$ -	\$ -	(114,868)
Public safety	240,121	88,693	-	-	(151,428)
Public works	148,729	-	-	-	(148,729)
Total primary government	<u>533,393</u>	<u>118,368</u>	<u>-</u>	<u>-</u>	<u>(415,025)</u>
<b>General Revenues</b>					
Property taxes					250,623
State shared revenues					223,756
Unrestricted investment earnings					3,035
Other					8,366
Total general revenues					<u>485,780</u>
Change in net assets					70,755
Net assets - beginning of year					883,387
Net assets - end of year					<u>954,142</u>

See accompanying notes to financial statements



**FUND FINANCIAL STATEMENTS**

**Eureka Charter Township  
Governmental Fund Balance Sheet  
December 31, 2005**

	<u><b>General Fund</b></u>	
<b>Assets</b>		
Cash	\$ 435,877	
Investments	177,152	
Other receivables	2,357	
Due from State	37,997	
Due from tax collections fund	<u>284,661</u>	
Total sssets		<u><u>\$ 938,044</u></u>
<b>Liabilities and fund balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 11,215	
Payroll liabilities	1,911	
Deferred revenue	<u>26,294</u>	
Total liabilities		<u>\$ 39,420</u>
<b>Fund balance</b>		
Reserved for inspection services	\$ 32,207	
Unreserved	<u>866,417</u>	
Total fund balance		<u>898,624</u>
Total liabilities and fund balance		<u><u>\$ 938,044</u></u>

See accompanying notes to financial statements

**Eureka Charter Township  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
To Net Assets of Governmental Activities on the Statement of Net Assets  
December 31, 2005**

<b>Total fund balance - governmental funds</b>	<b>\$ 898,624</b>
--	-------------------

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 90,755	
Accumulated depreciation is	<u>(35,237)</u>	
Capital assets, net		<u>55,518</u>

<b>Net assets of governmental activities</b>	<b><u><u>\$ 954,142</u></u></b>
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See accompanying notes to financial statements

**Eureka Charter Township  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Governmental Funds  
For the Year Ended December 31, 2005**

Revenues		
Taxes	\$ 281,498	
Licenses and permits	88,693	
State shared revenue	223,756	
Other revenues	<u>10,201</u>	
Total revenues		<u>\$ 604,148</u>
Expenditures		
Legislative	\$ 49,414	
General government	81,728	
Public safety	243,590	
Public works	148,729	
Other	<u>14,927</u>	
Total expenditures		<u>538,388</u>
Excess (deficiency) of revenues over expenditures		65,760
Fund balance - beginning of year		<u>832,864</u>
Fund balance - end of year		<u><u>\$ 898,624</u></u>

See accompanying notes to financial statements

**Eureka Charter Township  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance of Governmental Funds  
For the Year Ended December 31, 2005**

Net change in fund balances - total governmental funds	\$ 65,760
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add: capital outlay	3,181
Deduct: depreciation expense	(3,615)
Repayment of loans is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>5,429</u>
Change in net assets of governmental activities	<u><u>\$ 70,755</u></u>

See accompanying notes to financial statements

**Eureka Charter Township  
Fiduciary Funds  
Statement of Net Assets  
December 31, 2005**

Assets		
Cash	\$ 369,439	
Taxes receivable	<u>1,813,981</u>	
Total assets		<u><u>\$ 2,183,420</u></u>
Liabilities		
Due to general fund	\$ 284,661	
Due to other taxing authorities	<u>1,898,759</u>	
Total liabilities		<u><u>\$ 2,183,420</u></u>

**Eureka Charter Township  
Notes to Financial Statements  
December 31, 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township is located in Montcalm County, Michigan. The Township operates under an elected board of seven (7) members and provides services to its residents in many areas including public safety (fire and police), highway and street maintenance, public improvements, planning and zoning and general administrative services.

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The more significant of the government's accounting policies are described below.

**A - THE REPORTING ENTITY**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the township does not contain any component units.

**B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Governmental Fund Financial Statements – The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31<sup>st</sup>.

Although the Township's 2005 ad valorem tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing operations.

The 2005 taxable valuation of the Township totals \$113,889,607 on which ad valorem taxes levied consisted of .8091 mills for the Township operating purposes, .9415 mills for police operations and .4871 mills for road improvements. These amounts are recognized in the respective fund financial statements as revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

### D- BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Township has elected to report all governmental funds as major funds.

The Township reports the following governmental funds as major funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources in the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following:

- The **Agency Fund** is custodial in nature (assets equal liabilities) and it does not involve the measurement of results of operations.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### E – ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments – The Township’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds”. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds”. Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – The Township does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Equipment and Furnishings	10 to 15 years
Fire Department Vehicles	15 to 25 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### F – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to December 31<sup>st</sup> of each year.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the Township Board adopts by resolution a budget for the ensuing year.
4. The Supervisor or his designee is authorized to transfer budgeted amounts within department appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. All annual appropriations lapse at the fiscal year end
6. Adoption and amendments of all budgets used by the township are governed by Public Act 621.

Excess of expenditures over appropriations – Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2005, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Unfavorable Budget Variance</u>
<b>General Fund</b>			
Legislative – Travel	0	1,832	(1,832)
Clerk – Salary	12,000	12,600	(600)
Treasurer -- Salary	14,000	15,320	(1,320)
Public Works – Road Maintenance	143,000	143,760	(760)
Transit Service	4,000	6,500	(2,500)
Library Wages	0	800	(800)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 2 – CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorized the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. Investments can also be made in bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the United States government, or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating agencies which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of the government of Michigan. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated four banks for the deposit of Township funds. The investment policy adopted by the Township in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States Government and bank accounts and CDs, but not the remainder of State Statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the carrying amount of the Township's cash deposits and investments was \$613,029 and the bank balance was \$647,697. Of the bank balance, \$277,152 was covered by federal depository insurance and \$370,545 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances were all categorized as category 1.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 3 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated				
Buildings	\$ 39,562	\$ -	\$ -	\$ 39,562
Machinery and equipment	7,353	3,181	-	10,534
Vehicles	30,659	-	-	30,659
Total capital assets being depreciated	<u>77,574</u>	<u>3,181</u>	<u>-</u>	<u>80,755</u>
Less accumulated depreciation for:				
Buildings	22,395	1,038	-	23,433
Machinery and equipment	170	747	-	917
Vehicles	9,056	1,831	-	10,887
Total accumulated depreciation	<u>31,621</u>	<u>3,616</u>	<u>-</u>	<u>35,237</u>
Net capital assets being depreciated	<u>45,953</u>	<u>(435)</u>	<u>-</u>	<u>45,518</u>
 <b>Governmental activities: total capital assets - net of depreciation</b>	 <u><u>\$ 55,953</u></u>	 <u><u>\$ (435)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 55,518</u></u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$1,656
Public safety	<u>1,960</u>
Total governmental activities	<u><u>\$3,616</u></u>

The Township is considered a "Phase 3" Government, as defined by GASB 34. Accordingly, the Township has elected to not retroactively apply the reporting of major general infrastructure assets.

### NOTE 4 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as workman's compensation benefits provided to employees. The Township has purchased commercial insurance for claims relating to general liability, errors and omissions, physical damage (equipment, building, and contents) and workers compensation.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

### NOTE 5 – DEFERRED COMPENSATION

The Township does not have a deferred compensation plan.

### NOTE 6 – POST EMPLOYMENT

The Township does not furnish any post employment benefits to its employees.

### NOTE 7 - ACCUMULATED VACATION AND SICK PAY

The Township employees do not earn vacation pay and they are not paid for sick days.

### NOTE 8 – RELATED PARTY TRANSACTIONS

In the normal course of operations, the Township may engage in related party transactions. Procedures for related party transactions include obtaining competitive bids, board discussion and approval (with the exclusion of the related party), and disclosure in the financial statements, if material. For the year ended December 31, 2005, related party transactions were not material to the financial statements as a whole.

### NOTE 9 – BUILDING INSPECTION

The Township does not maintain a separate fund for building inspection services. Expenditures for these services are classified to a separate function throughout the year. For the year ended December 31, 2005, the building permit and inspection function of the Township produced revenues totaling \$88,693 and incurred expenditures totaling \$104,815. As a result, the Township was in compliance of PA 245 of 1999. However, for the years ended 12/31/03 and 12/31/04, the Township was in violation of PA 245 of 1999. Section 22 of the Act limits permit and inspection fees to the cost of operating the enforcement agency. Accordingly, a reservation of fund balance in the amount of \$16,122 has been subtracted from the previous years' reserved fund balance of \$48,329 for a total reserved fund balance of \$32,207 which can be used for future inspection activity.

### NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

#### Due to/from other funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Tax Fund	\$ 241,114	Taxes collected by the Tax Fund that are due to the General Fund

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### NOTE 11 – ACCOUNTING AND REPORTING CHANGE

#### **GASB 34**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*. Eureka Charter Township has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The Township has elected to implement the general provisions of the statement. Certain significant changes in the statement include the following:

- Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.

**Eureka Charter Township  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual - General Fund  
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 233,668	\$ 233,668	\$ 281,498	\$ 47,830
Licenses and permits	100,000	100,000	88,693	(11,307)
State shared revenue	260,000	260,000	223,756	(36,244)
Other revenues	3,000	3,000	10,201	7,201
Total revenues	<u>596,668</u>	<u>596,668</u>	<u>604,148</u>	<u>7,480</u>
Expenditures				
Legislative	37,000	51,612	49,414	2,198
General government	86,100	85,364	81,728	3,636
Public safety	252,100	287,326	243,590	43,736
Public works	149,000	148,000	148,729	(729)
Other	65,500	62,000	14,927	47,073
Total expenditures	<u>589,700</u>	<u>634,302</u>	<u>538,388</u>	<u>95,914</u>
Excess (deficiency) of revenues over expenditures	<u>6,968</u>	<u>(37,634)</u>	<u>65,760</u>	<u>\$ 103,394</u>
Fund balance - beginning of year	<u>832,864</u>	<u>832,864</u>	<u>832,864</u>	
Fund balance - end of year	<u>\$ 839,832</u>	<u>\$ 795,230</u>	<u>\$ 898,624</u>	

**Eureka Charter Township  
General Fund  
Statement of Revenues - Budget and Actual  
For the Year Ended December 31, 2005**

	<u><b>Budgeted Amounts</b></u>			<b>Variance Favorable (Unfavorable) Final Budget</b>
	<u><b>Original</b></u>	<u><b>Final</b></u>	<u><b>Actual</b></u>	
Taxes				
Current property taxes	\$ 205,668	\$ 205,668	\$ 250,623	\$ 44,955
Property tax administration fee	27,000	27,000	29,675	2,675
Trailer fees and miscellaneous taxes	1,000	1,000	1,200	200
Total taxes	<u>233,668</u>	<u>233,668</u>	<u>281,498</u>	<u>47,830</u>
Permits	<u>100,000</u>	<u>100,000</u>	<u>88,693</u>	<u>(11,307)</u>
State shared revenue	<u>260,000</u>	<u>260,000</u>	<u>223,756</u>	<u>(36,244)</u>
Interest and other revenue				
Interest	1,500	1,500	3,035	1,535
Refunds and miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>7,166</u>	<u>5,666</u>
Total interest and other revenue	<u>3,000</u>	<u>3,000</u>	<u>10,201</u>	<u>7,201</u>
Total revenue	<u><u>\$ 596,668</u></u>	<u><u>\$ 596,668</u></u>	<u><u>\$ 604,148</u></u>	<u><u>\$ 7,480</u></u>

See accompanying notes to financial statements



**Eureka Charter Township  
General Fund  
Statement of Expenditures - Budget and Actual  
For the Year Ended December 31, 2005**

	<u><b>Budgeted Amounts</b></u>			<b>Variance Favorable (Unfavorable) Final Budget</b>
	<u><b>Original</b></u>	<u><b>Final</b></u>	<u><b>Actual</b></u>	
Legislative				
Salaries	\$ -	\$ 2,800	\$ 2,786	\$ 14
Trustees	8,000	7,000	5,675	1,325
Board supplies	1,500	4,808	3,132	1,676
Printing and publishing	3,000	4,807	4,807	-
Bonds and insurance	7,500	10,500	10,304	196
Township dues	2,000	-	-	-
Professional fees	12,000	14,128	14,128	-
Miscellaneous	1,000	3,569	3,569	-
Travel	-	-	1,832	(1,832)
Office Equipment	-	2,000	1,859	141
Total legislative	<u>35,000</u>	<u>49,612</u>	<u>48,092</u>	<u>1,520</u>
General government				
Supervisor				
Salary	10,000	10,000	10,000	-
Supplies	<u>1,500</u>	<u>500</u>	<u>283</u>	<u>217</u>
Total supervisor	<u>11,500</u>	<u>10,500</u>	<u>10,283</u>	<u>217</u>
Assessor				
Salary	22,500	22,500	21,683	817
Supplies	3,000	3,000	2,900	100
Office equipment	<u>2,000</u>	<u>2,000</u>	<u>1,322</u>	<u>678</u>
Total assessor	<u>27,500</u>	<u>27,500</u>	<u>25,905</u>	<u>1,595</u>
Elections				
Salaries	<u>1,000</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total elections	<u>1,000</u>	<u>500</u>	<u>-</u>	<u>500</u>
Board of review				
Salaries	<u>600</u>	<u>900</u>	<u>813</u>	<u>87</u>
Total board of review	<u>600</u>	<u>900</u>	<u>813</u>	<u>87</u>

See accompanying notes to financial statements

**Eureka Charter Township  
General Fund  
Statement of Expenditures - Budget and Actual  
For the Year Ended December 31, 2005**

	<b><u>Budgeted Amounts</u></b>			<b>Variance Favorable (Unfavorable) Final Budget</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	
Clerk				
Clerk salary	\$ 12,000	\$ 12,000	\$ 12,600	\$ (600)
Office expense	6,000	5,000	3,481	1,519
Total clerk	<u>18,000</u>	<u>17,000</u>	<u>16,081</u>	<u>919</u>
Treasurer				
Treasurer's salary	14,000	14,000	15,320	(1,320)
Office expense	6,000	7,447	6,127	1,320
Total treasurer	<u>20,000</u>	<u>21,447</u>	<u>21,447</u>	<u>-</u>
Township Hall				
Utilities	5,000	5,000	4,789	211
Repairs and supplies	3,000	3,017	3,017	-
Total township hall	<u>8,000</u>	<u>8,017</u>	<u>7,806</u>	<u>211</u>
Cemetery				
Contracted services	1,500	1,500	715	785
Total cemetery	<u>1,500</u>	<u>1,500</u>	<u>715</u>	<u>785</u>
Total general government	<u>88,100</u>	<u>87,364</u>	<u>83,050</u>	<u>4,314</u>

See accompanying notes to financial statements

**Eureka Charter Township  
General Fund  
Statement of Expenditures - Budget and Actual  
For the Year Ended December 31, 2005**

	<u>Budgeted Amounts</u>			<b>Variance Favorable (Unfavorable) Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Public safety				
Police	<u>65,000</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>
Fire				
Contract	67,000	101,904	68,190	33,714
Fire truck payments	5,600	5,600	5,535	65
Fire truck expenses	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Fire	<u>73,600</u>	<u>108,504</u>	<u>73,725</u>	<u>34,779</u>
Planning commission				
Salaries	12,000	10,000	9,195	805
Contracted services	90,000	93,622	88,187	5,435
Office Expense	10,000	10,000	7,433	2,567
Planning/master plan	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total planning commission	<u>113,000</u>	<u>113,622</u>	<u>104,815</u>	<u>8,807</u>
Board of appeals	<u>500</u>	<u>200</u>	<u>50</u>	<u>150</u>
Total public safety	<u>252,100</u>	<u>287,326</u>	<u>243,590</u>	<u>43,736</u>
Public works				
Street lighting	6,000	5,000	4,969	31
Road maintenance	<u>143,000</u>	<u>143,000</u>	<u>143,760</u>	<u>(760)</u>
Total public works	<u>149,000</u>	<u>148,000</u>	<u>148,729</u>	<u>(729)</u>
Other expenses				
Transit service	1,000	4,000	6,500	(2,500)
Contingency and Township addition	50,000	45,000	-	45,000
Social security	7,000	7,000	6,627	373
Remonumentation	1,000	1,000	1,000	-
Library wages	-	-	800	(800)
Water and sewer study	5,000	5,000	-	-
COGG project support	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other expenses	<u>65,500</u>	<u>62,000</u>	<u>14,927</u>	<u>47,073</u>
Total expenditures	<u>\$ 589,700</u>	<u>\$ 634,302</u>	<u>\$ 538,388</u>	<u>\$ 95,914</u>

See accompanying notes to financial statements

## **COMPLIANCE AND INTERNAL CONTROL**

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

June 5, 2006

Members of the Township Board  
Eureka Charter Township  
Montcalm County, Michigan

We have audited the general-purpose financial statements of Eureka Charter Township as of and for the year ended December 31, 2005, and have issued our report thereon dated June 5, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

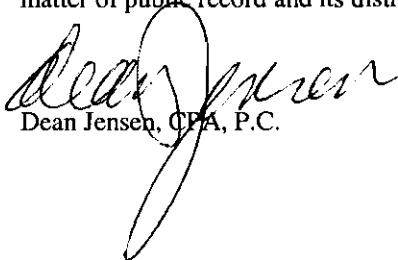
Compliance

As part of obtaining reasonable assurance about whether Eureka Charter Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Eureka Charter Township in a separate letter dated June 5, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eureka Charter Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of Township Board and management. However, this report is a matter of public record and its distribution is not limited.



Dean Jensen, CPA, P.C.

**DEAN JENSEN**  
**Certified Public Accountant, P.C.**

108 N. Lafayette St., Suite D  
P.O. Box 605  
Greenville, MI 48838

Telephone (616) 754-8888  
Fax (616) 754-5281

June 5, 2006

To the Members of the Township Board  
of Eureka Charter Township

In planning and performing our audit of the general purpose financial statements of Eureka Charter Township, for the year ended December 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 5, 2006, on the financial statements of Eureka Charter Township.

Comments and Recommendations:

USE OF COMPUTER FOR MAINTAINING ACCOUNTING RECORDS

The Township updated its accounting software during the past year. The Township's use of accounting software over the last several years has improved their accounting system. However, with additional training for the clerk or another township employee, the accounting system of the Township could be greatly improved.

The Michigan Township Association is in the process of planning some accounting seminars for the end of October or in November, 2006.

We recommend that the Township adopt the Michigan Department of Treasury Uniform Chart of Accounts for Local Units of Government.

We also recommend that the Clerk's financial reporting to the board be expanded to include a monthly balance sheet along with a current month and year-to-date revenues and expenditures report showing budget to actual comparisons.

The budget to actual comparison report would also assist the Township for compliance with Public Act 621, the Uniform Budgeting Act.

The Township recently incurred a problem with their computer data. They came very close to losing all their accounting data due to a hard drive malfunction.

We recommend that the Township adopt a computer maintenance and backup policy. All software maintenance upgrades should be performed as available. We also recommend that the Township back up their computer data at least two or three times per week and that the back up information be stored off site in case of fire.

If additional computer training is needed for personnel, we recommend computer classes be taken at Montcalm Community College or by contracting with Gayle Rehfeldt.

### RECEIPTS AND DISBURSEMENTS

During 2005, we noted that the building and zoning permit receipts were not always deposited on a timely basis. We recommend that the Township have a written policy regarding recording receipts and the time frame for depositing all receipts.

We noted that many of the paid invoices are not properly cancelled. We recommend a notation in ink on each paid invoice indicating date paid and check number. A preprinted stamp can be obtained to assist with performing this function consistently.

During our review of the Township's bank reconciliation, we noted several outstanding checks that were over 1 year old. The Township Treasurer has investigated these checks. We recommend that old outstanding checks be monitored more closely.

### CASH MANAGEMENT

We noted that interest income on the Township's certificates of deposit is not entered into the general ledger on a regular basis. We recommend that the Township record these transactions on a quarterly, or at the very least, semi-annual basis.

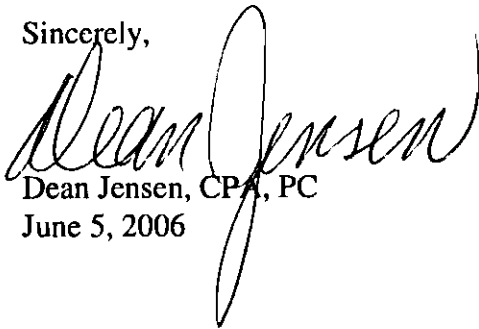
The Township has cash accumulations in excess of current operating requirements.

We suggest the Township consider depositing cash in excess of amounts necessary for monthly operations into alternative accounts such as certificates of deposit, and state approved investments such as U.S. Treasury notes, commercial paper and repurchase agreements, as a way to maximize investment returns on idle cash. In addition, we would recommend using an interest bearing account to receive tax collections. Doing so would provide the Township's general fund with interest revenues earned on the average balances during the months taxes are collected by the Township.

There were no additional comments or recommendations that we deemed necessary to bring to the attention of the Township Board at this time. We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the members of the Township Board and related regulatory agencies.

Sincerely,

A handwritten signature in cursive script that reads "Dean Jensen". The signature is fluid and extends across the line of the typed name.

Dean Jensen, CPA, PC

June 5, 2006